

**StanCERA's Policy Regarding the Disclosure of  
Third Party Representation (or Placement Agent)  
Fees, Gifts and Campaign Contributions**

**Adopted by the Retirement Board on May 25, 2010**

This Policy is effective immediately upon adoption by the Retirement Board. This policy is intended to supplement any applicable provisions of state or federal law and to comply with such laws. This Policy shall apply to current external investment managers and consultants as well as those firms who are considered for investment management or consultation subsequent to the adoption of this Policy.

**PURPOSE**

StanCERA Retirement Board members, its employees, investment managers and consultants are all subject to numerous legal requirements intended to ensure the ethical conduct of all parties involved in the prudent handling of the investment of StanCERA's members' money held in trust for these members' retirement benefits as governed by the County Employees Law of 1937 (or "1937 Act"). Ethical conduct by all parties includes the compliance to legal requirements, insuring that fiduciary responsibilities are maintained throughout all processes and preventing conflicts of interest in decision making.

This Policy sets forth the circumstances under which StanCERA shall require the disclosure of payments to Third Party Representatives (also known as Placement Agents) by external investment managers or consultants in connection with securing investment related business with StanCERA.

The purpose of this Policy is to enhance the transparency of investment related decisions by requiring broad and timely disclosure of the existence of any relationships between StanCERA investment managers or consultants and other Third Party Representative(s) who serve as compensated representative(s) of the investment manager or consultant to secure investment related business with StanCERA. The goal of this Policy is to help ensure that all investment related decisions are made solely on the merits of the investment opportunity, are reasonable and prudent from a fiduciary perspective and are consistent with StanCERA's Statement of Investment Policy.

### **DEFINITION OF THIRD PARTY REPRESENTATIVE (OR PLACEMENT AGENT)**

For purposes of this Policy, a Third Party Representative (or Placement Agent) is defined as follows: Any person or entity hired, engaged by, or acting on behalf of an investment manager as a finder, solicitor, placement agent, marketer, consultant, broker or other intermediary to raise money or solicit investment funding from or to obtain access to StanCERA, either directly or indirectly. Employees of an investment management or consultant firm who perform the marketing function of the firm are not considered Third Party Representatives (or Placement Agents) for the purposes of this Policy. Also, firms who are retained by StanCERA as a manager of multiple other investment managers (for example the current investment management in the allocation to U.S. small capitalization stocks) are not considered Third Party Representative(s) (or Placement Agents) for the purposes of this Policy.

### **RESPONSIBILITIES OF CURRENT AND POTENTIAL FUTURE EXTERNAL INVESTMENT MANAGERS AND CONSULTANTS**

Each existing external investment manager and consultant shall provide the following information within 30 days of receipt of notification from StanCERA staff that the information needs to be supplied. Each firm that is being considered for investment management or consultation subsequent to the adoption of this Policy, shall submit the following information to the Retirement Board and its investment consultant BEFORE making any presentations to the Retirement Board. The information shall include:

1. A statement that the firm or any of its principals, agents or affiliates has (or has not) compensated or agreed to compensate, directly or indirectly, any Third Party Representative (or Placement Agent) in connection with any investment or proposed investment by StanCERA. If compensation of a Third Party Representative (or Placement Agent) has occurred or been agreed upon, items 2 – 8 need to be completed.
2. A resume for each officer, partner or principal of the Third Party Representative (or Placement Agent) detailing the education, professional designations, regulatory licenses, investment and work experience. The resume shall include whether the person is a current or former StanCERA Retirement Board member, StanCERA employee or consultant to StanCERA, or a member of the immediate family of a StanCERA Retirement Board member, StanCERA employee or consultant to StanCERA.
3. A description of any and all compensation of any kind provided or agreed to be provided to a Third Party Representative (or Placement Agent) including the nature, timing and value thereof along with written acknowledgment that the compensation is the sole responsibility of the investment manager or consultant.
4. A description of the services to be performed by the Third Party Representative (or Placement Agent) and a statement as to whether the Third Party Representative (or Placement Agent) is used by the investment manager or consultant with all prospective clients or only a subset of prospective clients.

**RESPONSIBILITIES OF CURRENT AND POTENTIAL FUTURE EXTERNAL INVESTMENT MANAGERS AND CONSULTANTS (continued)**

5. A written copy of any and all agreements between the investment manager or consultant and the Third Party Representative (or Placement Agent).
6. The name(s) of any current or former StanCERA Retirement Board member, StanCERA employee or consultant(s) to StanCERA who suggested the retention of the Third Party Representative (or Placement Agent).
7. A statement that the Third Party Representative (or Placement Agent) is registered with the United States Securities and Exchange Commission, the United States Financial Industry Regulatory Authority, the United States Commodity Futures Trading Commission or any similar regulatory agency in a country other than the United States including the details of such registration
8. A statement whether the Third Party Representative (or Placement Agent) or any of its affiliates, is registered as a lobbyist with any state or national government.

Investment managers and consultants shall provide to StanCERA any updated information of the above items (1 to 8) within 30 days of the change in information.

Investment managers and consultants shall agree to incorporate this Policy and compliance thereto as part of the investment manager's or consultant's agreement with StanCERA for services rendered. Investment managers and consultants will cooperate with StanCERA staff in monitoring and assuring compliance with this Policy.

In cases where there is uncertainty whether a disclosure should be made, the Policy should be interpreted to require disclosure.

**RESPONSIBILITIES OF ANY THIRD PARTY REPRESENTATIVE (OR PLACEMENT AGENT)**

Any Third Party Representative (or Placement Agent) shall, prior to acting as such, disclose to StanCERA the following:

1. All campaign contributions made by the Third Party Representative (or Placement Agent) to any elected StanCERA Retirement Board member during the prior 24 months and while the Third Party Representative (or Placement Agent) is receiving compensation in connection with a StanCERA investment.
2. All gifts, as defined in Government Code section 82028, given by the Third Party Representative (or Placement Agent) to any StanCERA Retirement Board member during the prior 24 month period. and while the Third Party Representative (or Placement Agent) is receiving compensation in connection with a StanCERA investment.

## **RESPONSIBILITIES OF STANCERA STAFF**

StanCERA staff are responsible for the following actions:

1. Incorporate this Policy in all current and future agreements with investment managers and consultants.
2. Ensure that future candidates for StanCERA investment management or consultant services provide all information as noted above and such information is forwarded to the Retirement Board BEFORE any presentation is made to the Retirement Board
3. Ensure that all reported information is received in a timely fashion.
4. Report to the Retirement Board quarterly of all information received related to this Policy.
5. Report to the Retirement Board any violations of this Policy on the next available regular meeting agenda.

## **SANCTIONS FOR POLICY VIOLATION**

In the event of a material omission or inaccuracy in the information disclosed pursuant to this Policy, the following sanctions may be applied by the Retirement Board:

1. The reimbursement to StanCERA by the investment manager or consultant of the greater of the following:
  - a. Any investment management or advisory fees paid over four quarters or
  - b. An amount equal to the amounts paid or promised to be paid to the Third Party Representative (or Placement Agent)
2. Immediate termination of the investment management or consultation agreement without penalty to StanCERA, including withdrawal from a limited partnership, limited liability company or other investment vehicles and the cessation of any further capital contributions thereto.
3. A prohibition for the existing or potential investment manager or consultant or Third Party Representative (/Placement Agent) from soliciting new investments from StanCERA for five (5) years. The five (5) years may be reduced by a majority vote of the Retirement Board at a public session upon a showing of good cause.
4. Any other sanction(s) which in the opinion of legal counsel is prudent and assists the Retirement Board in meeting its fiduciary obligations.